

Strategic Growth Plan Briefing Packet

Overview

In the 1950s and 1960s, Californians made a phenomenal investment in the state's highways, ports, water supply systems, schools, and universities. The leaders of the time had the foresight and commitment to build the infrastructure that is now the foundation of the sixth largest economy in the world. By the late 1960s, California had the most extensive and efficient highway system in the country, a higher education system that was the largest and one of the finest in the world, and a water supply system that was capable of accommodating the state's population growth well into the future. In the face of massive change and huge challenges, they built the foundation of California's prosperity.

Now it is this generation's turn to build a prosperous future for our children and grandchildren.

In 1955, the state's population was about 13 million. The state's population is now about 37 million. By 2025 it will be 46 million. The infrastructure investments of a half century ago are showing their age and straining to support a vibrant economy and a population much larger than they were designed to accommodate. Our highways and ports too often are choked by the volume of people and goods moving through them; demands on our water supply system are inching ever closer to the system's maximum capacity; and our communities need improved protection from natural disasters like floods and wildfires.

The Governor is proposing a comprehensive Strategic Growth Plan, which is the first installment of a 20-year investment on a future that will ensure California's quality of life and foster continued economic growth. The plan balances the necessity of meeting infrastructure needs with prudent and fair approaches to funding those needs. It charts a course for the first 10 years of this 20-year vision and assumes future legislators and governors will continue the investment in California.

PHASE ONE: TEN-YEAR FINANCING PLAN

Phase One of the Strategic Growth Plan will ensure California's quality of life and foster the state's continued economic growth through significant investments in infrastructure over the next ten years. Specifically, this plan lays out more than \$222 billion in infrastructure investments, of which \$68 billion will be financed with General Obligation (GO) bonds. The Governor proposes that the Legislature approve the entire ten-year plan as a single package; however, the GO bonds would be put before the people of California over a series of elections between 2006 and 2014.

Strategic Growth Plan Ten Year Financing
(Dollars in Billions)

First Five Years

Program	Total	General Obligation and Lease Revenue Bonds		Existing Funding Sources**	New Funding Sources**
		GO	LR		
Transportation/Air Quality	\$42.0	\$6.0	-	\$25.0	\$11.0
K-12*	17.5	7.0	-	10.5	-
Higher Education*	5.4	5.4	-	-	-
Flood Control and Water Supply	11.0	3.0	-	8.0	-
Public Safety	8.1	2.6	0.4	5.1	-
Courts & Other Public Service Infrastructure	2.3	1.2	0.4	0.7	-
Totals - First Five Years	\$86.3	\$25.2	\$0.8	\$49.3	\$11.0

Second Five Years

Program	Total	General Obligation and Lease Revenue Bonds		Existing Funding Sources	New Funding Sources
		GO	LR		
Transportation/Air Quality	\$65.0	\$6.0	-	\$22.0	\$37.0
K-12*	30.7	19.3	-	11.4	-
Higher Education*	6.3	6.3	-	-	-
Flood Control and Water Supply	24.0	6.0	-	13.0	5.0
Public Safety	9.3	4.2	-	5.1	-
Courts	1.0	1.0	-	-	-
Totals - Second Five Years	\$136.3	\$42.8	-	\$51.5	\$42.0
GRAND TOTALS TEN YEARS	\$222.6	\$68.0	\$0.8	\$100.8	\$53.0

*K-12 and Higher Education will be combined in the bond proposals.

**Refer to Attachment 1 for details

**General Obligation Bonds
Election Year Proposals
(Dollars in Billions)**

	2006	2008	2010	2012	2014	Ten-Year Totals
Program						
Transportation/Air Quality	\$6.0	\$6.0	-	-	-	\$12.0
Education*	12.4	4.2	\$7.7	\$8.7	\$5.0	38.0
Flood Control and Water Supply	3.0	-	6.0	-	-	9.0
Public Safety	2.6	-	4.2	-	-	6.8
Courts & Other Public Service Infrastructure	1.2	-	1.0	-	-	2.2
Total	\$25.2	\$10.2	\$18.9	\$8.7	\$5.0	\$68.0

*Education Bonds include K-12 and Higher Education.

THE STRATEGIC GROWTH PLAN IS FISCALLY PRUDENT

- Capital projects are inherently long term investments and the use of bonds to cover their costs results in a slow and gradual increase in debt service levels, which California can well afford over time.
- The debt service on the bonds proposed in this plan will not exceed the generally accepted guideline of 6 percent of General Fund Revenue.
- The plan includes a proposal to enshrine the 6-percent limit in the Constitution.
- The plan also leverages new and existing funding sources to the maximum extent possible in order to keep General Fund costs as low as possible.
- Sufficient funds have been identified to meet the projected funding needs without raising taxes. The Strategic Growth Plan leverages all federal, state, and local revenue sources to the extent practicable.
- While recognizing that taxpayers have paid for existing infrastructure, and should not be asked to pay for it again through fees, the Strategic Growth Plan, where feasible, will require beneficiaries of new infrastructure improvements to pay the costs of these improvements.
- To ensure that all available resources are brought to bear to address California's infrastructure needs, innovative funding mechanisms will be utilized. Specifically, the Strategic Growth Plan requires expanded authority to fund and deliver projects through a variety of public-private partnerships.
- By the time the debt service from the bonds the Governor is proposing in his Strategic Growth Plan produce significant increases in debt service levels, the Economic Recovery Bonds will be fully paid off and the share of the budget now dedicated to debt service on them (about 1.5 percent of the budget) will be available to cover the new bonds.

Strategic Growth Plan Financing Debt Ratio

Base plus Proposed Strategic Growth Plan *				
(dollars in thousands)				
Year	Authorization	Debt Service	GF Revenue	Debt Service Ratio
2004-05		\$3,673,041	\$79,935,000	4.60%
2005-06		3,950,285	87,691,000	4.50%
2006-07	\$25,200,000	4,351,482	92,005,000	4.73%
2007-08		4,652,100	96,645,000	4.81%
2008-09	10,200,000	5,385,000	101,659,000	5.30%
2009-10		6,040,800	108,005,000	5.59%
2010-11	18,900,000	6,592,600	115,586,000	5.70%
2011-12		6,811,300	123,726,000	5.51%
2012-13	8,700,000	7,375,900	131,351,000	5.62%
2013-14		8,044,700	137,918,550	5.83%
2014-15	5,000,000	8,559,000	144,814,478	5.91%
2015-16		8,941,600	152,055,201	5.88%
2016-17		9,284,700	159,657,961	5.82%
2017-18		9,425,500	167,640,860	5.62%
2018-19		9,494,400	176,022,902	5.39%
2019-20		9,592,700	184,824,048	5.19%
2020-21		9,533,600	194,065,250	4.91%
2021-22		9,559,900	203,768,512	4.69%
2022-23		9,503,000	213,956,938	4.44%
2023-24		9,443,000	224,654,785	4.20%
2024-25		9,424,200	235,887,524	4.00%
2025-26		9,425,800	247,681,900	3.81%
Total	\$68,000,000			

* Base Assumes: 1) all currently authorized but unissued bonds are sold over the next six years, 2) Voters approve \$0.6 billion Library bonds already approved for the 2006 ballot and 3) the proposed High Speed Rail bond is withdrawn.

PROPOSED SIX PERCENT DEBT CAP

The Governor will propose a constitutional amendment that would limit the ability of the Legislature and the Governor to incur certain General Fund-supported debt – including voter-approved General Fund-supported debt -- if debt service on that debt plus the debt service on similar, outstanding General Fund-supported debt is expected to exceed 6% of General Fund revenues in any given year for five years into the future.

The measure would require the Governor's budget to contain five-year estimates of General Fund revenues and debt service payable on outstanding certain General Fund-supported debt. The Legislature and the Governor will be permitted to budget the expenditure of General Fund revenue that will result in new General Fund-supported debt of this type only to the extent that debt service on that resulting debt will not exceed 6% of the estimated General Fund revenues in any of those five years.

Affordability of Strategic Growth Plan

The State currently sets aside the equivalent of one quarter of one percent of the sales tax to pay debt service on the Economic Recovery Bonds. In the year 2010-11, the bonds will be fully repaid, making those funds available to pay debt service on the SGP bonds. For example, in Fiscal Year 2010-11 the one-quarter cent set aside will generate \$1.715 billion and the required debt service will be \$1.125 billion

YEAR	Projected Debt Service Ratio Under SGP	Difference Between Base Debt Service Commitment and Debt Service for SGP		Resources Available After Paying Off ERB \$ **
		%	\$	
2006-07	4.73%	0.00%		
2007-08	4.81%	0.08%	\$80,792	
2008-09	5.30%	0.57%	\$576,529	
2009-10	5.59%	0.86%	\$932,164	
2010-11	5.70%	0.97%	\$1,125,382	\$1,715,362
2011-12	5.51%	0.78%	\$959,060	\$1,800,775
2012-13	5.62%	0.89%	\$1,162,998	\$1,893,576
2013-14	5.83%	1.10%	\$1,521,153	\$1,990,608
2014-15	5.91%	1.18%	\$1,709,275	\$2,093,288
2015-16	5.88%	1.15%	\$1,749,389	\$2,197,953
2016-17	5.82%	1.09%	\$1,732,878	\$2,307,851
2017-18	5.62%	0.89%	\$1,496,087	\$2,423,243
2018-19	5.39%	0.66%	\$1,168,517	\$2,544,405
2019-20	5.19%	0.46%	\$850,523	\$2,671,625
2020-21	4.91%	0.18%	\$354,314	\$2,805,207
2021-22	4.69%	-0.04%	-\$78,351	\$2,945,467
2022-23	4.44%	-0.29%	-\$617,163	\$3,092,740
2023-24	4.20%	-0.53%	-\$1,183,171	\$3,247,377
2024-25	4.00%	-0.73%	-\$1,733,280	\$3,409,746
2025-26	3.81%	-0.92%	-\$2,289,554	\$3,580,234

** Available resources after ERB payoff (based on current sales tax revenue estimates escalated at 5% annual growth, consistent with historical growth patterns)

TRANSPORTATION

Governor Schwarzenegger has proposed the Strategic Growth Plan, part of which is a historic comprehensive transportation investment package that incorporates GoCalifornia, a plan designed to decrease congestion, improve travel times, and increase safety. The Governor's Strategic Growth Plan for transportation is designed to reduce congestion below today's levels while accommodating future transportation needs from growth in the population and the economy. This will be done by both deploying demand-management strategies, such as dedicated truck lanes and high occupancy toll lanes, and building new capacity to increase "throughput" in the system. It will enable more traffic to move through existing roadways, rehabilitate thousands of miles of roads, add new lanes, and increase public transportation ridership. This effort will require innovation in transportation planning, construction and management, sustained coordination among regional transportation agencies and the state, and dedicated funding.

Over the next ten years, daily congestion (measured by daily hours of delay) is projected to increase 35% from 558,143 hours in 2005 to 753,000 hours in 2016 (based on current trends and 2003-04 amounts of investment). With the Governor's Strategic Growth Plan, congestion levels are estimated to be 454,000 hours daily, a reduction of 104,143 hours (18.7%) below today's levels. The capacity or "throughput" will increase by 15 percent.

In addition to congestion relief, the \$107 billion investment also results in:

- 550 new HOV lane miles
- 750 new highway lane miles
- 9,000 lane miles rehabilitated
- 15 percent increase in throughput
- 600 miles new commuter rail lines
- 310,000 more transit passengers per day
- 37 percent increase in transit ridership
- 11 more inter-city rail round trips
- 150 percent increase in inter-city rail ridership
- 8,500 miles of separated bike and pedestrian paths

The ten-year growth plan consists of the following expenditure components:

- \$21.2 billion for major projects on state interregional routes and to expand and complete the High Occupancy Vehicle lane system
- \$18.9 billion to expand trade corridors and regional priorities
- \$18.9 billion for capacity expansion on major corridors of the highway system by using strategies such as adding auxiliary lanes, using technology to assist drivers, and improving interchanges
- \$4.5 billion to expand existing transit rail and to add new urban commuter rail and intercity passenger rail
- \$28.9 billion for rehabilitation and preservation of the state highway system
- \$7.9 billion for safety and operational improvements on the state highway system
- \$3 billion for transportation technology and Intelligent Transportation Systems
- \$2 billion for port improvements and environmental mitigation

- \$943 million to expand park and ride opportunities and bicycle and pedestrian routes
- \$471 million to improve transit and rail services
- \$297 million to expand the Freeway Service Patrol

Summary of 10 Year Transportation Spending Plan

Category of Investment	Total 10-Year Need (Billions)	First 5 Years \$6 Billion Bond	Second 5 Years \$6 Billion Bond	Total Bond (Billions)
Port Mitigation-environmental improvements	2.0	1.0		1.0
Highways	53.3	2.0	3.6	5.6
Corridor Mobility Projects		(0.3)		(0.3)
Performance Projects (State Inter-Regional Focus Routes and Regional Priorities)		(1.7)	(3.6)	(5.3)
Transit/Rail	4.5	0.5	0.2	0.7
Inter-City Passenger Rail		(0.4)	(0.1)	(0.5)
Pedestrian/Bike Paths and Park and Ride Facilities		(0.1)	(0.1)	(0.2)
Technology – ITS	3.3	0.2		0.2
Safety and Preservation	28.9	1.3	0.2	1.5
Trade Infrastructure	15.0	1.0	2.0	3.0
Totals	107.0	6.0	6.0	12.0

Funding includes \$47 billion in existing transportation funding sources such as the gas tax, Proposition 42, and federal funds. A total of \$48 billion in new funding is proposed from leveraging existing funds and new bond funds to attract increased federal, private, and local funding, as well as using revenue bonds repaid from state gas tax and federal funds. The remaining \$12 billion of need is proposed to be derived from GO bonds.

2006 transportation bond (2006-07 through 2010-11) — \$6 billion

- \$1.7 billion to increase highway capacity
- \$1.3 billion for safety and preservation improvements to the state highway system
- \$1 billion for port improvements, mitigation related to programs and projects that reduce diesel emissions, and mitigation of other community impacts
- \$1 billion for goods movement infrastructure, which will reduce related road congestion
- \$400 million for intercity rail expansion
- \$300 million for corridor mobility improvements
- \$200 million for Intelligent Transportation Systems

- \$100 million to expand park and ride opportunities and bicycle and pedestrian improvements

2008 transportation bond (2011 - 12 through 2016 - 17) — \$6 billion

- \$3.6 billion for highway projects that provide congestion relief and meet or exceed performance measures for improved corridor performance
- \$2 billion for goods movement infrastructure, which will reduce related road congestion
- \$200 million for highway safety and preservation projects
- \$100 million for additional intercity rail expansion
- \$100 million to expand park and ride opportunities and bicycle and pedestrian improvements

Proposition 42 Protection

The Administration proposes a constitutional amendment to permanently protect Proposition 42 funds for transportation and eliminate the option for future governors and legislatures to suspend the allocation.

Project Delivery Improvements

The Administration is again proposing legislation to provide authority to deliver projects more quickly and efficiently through the use of design-build contracting and design-sequencing. Both of these techniques are standard practice in the private-sector construction industry. Savings over ten years from these reforms is estimated to be almost \$1 billion.

The Administration is also proposing expanded authority to fund and deliver projects through a variety of public-private partnerships. This approach is intended to be used where a predictable stream of revenue can be generated to repay private capital investments (such as toll roads or dedicated truck lanes).

Air Quality and Trade

The Strategic Growth Plan reflects \$18.9 billion for major goods movement projects. Bond funds totaling \$4 billion are proposed for the state contribution to this overall effort. Most, if not all, of the projects are to be accomplished through a variety of public-private partnerships to provide significant matching funds to the bonds.

Transportation Bond Fund Expenditure Summary

Category of Projects	Total (\$ Billions)
Highways	5.6
Performance Projects	
Regional Priority Routes	3.3
SR 99 Corridor Enhancement Master Plan	1.0
State Inter-Regional Routes	1.0
Corridor Mobility Management Program	0.3
Technology	0.2
Transportation Technology (ITS)	0.2
Rail and Transit	0.7
Inter-City Rail	0.5
Park-and-Ride Facilities, Pedestrian/Bike Paths	0.2
Trade Infrastructure	4.0
Air Quality Improvements -- Existing Impact Mitigation	1.0
Trade Corridors and Goods Movement Infrastructure	3.0
Safety and Preservation	1.5
State Highway Operations and Preservation Program (SHOPP)	1.5
Total Transportation and Air Quality Bond	12.0

EDUCATION

In the next ten years, over 600,000 more students will be attending our colleges and universities. Additionally, our K-12 schools will experience net increases in student enrollment approaching a quarter of a million students. As our system of over 8,000 school sites continues to age, the need for modernization funds will continue to increase during this period.

K-12 Education

The Ten Year Strategic Growth Plan includes a series of GO bond measures totaling \$26.3 billion for K-12 education facilities needs through 2016-17. The Governor's proposal would authorize the placement of an initial \$7 billion GO bond measure on the June 2006 primary election ballot, with the remaining \$19.3 billion spread over election cycles through year 2014.

Initial 2006 Education Bond Measure Proposes \$7 Billion for K-12

The initial \$7 billion bond measure is estimated to fund construction of approximately 9,700 new classrooms housing 252,000 students and 38,800 modernized classrooms providing state-of-the-art capacity for over one million students. The bonds would be allocated as follows:

- \$1 billion for charter schools
- \$1 billion for career technical education facilities
- \$1.7 billion for new construction*
- \$3.3 billion for modernization*

*Of the amount allocated for new construction and modernization, \$500 million would be earmarked for small school development.

2008-2014 Bond Measures Propose \$19.3 Billion for K-12

- \$7.7 billion for new construction**
- \$8.8 billion for modernization**
- \$1.4 billion for charter schools
- \$1.4 billion for career technical education facilities

**Of the amounts allocated for new construction and modernization, 10 percent would be earmarked for small school development

Higher Education

The Ten Year Strategic Growth Plan includes GO bond measures totaling \$11.7 billion for higher education facilities needs. The higher education bond is proposed to fulfill the commitment agreed to in the Compact with UC and CSU. In addition, it provides a like amount for the community colleges.

For the first five years, the proposal includes \$5.2 billion for the higher education compact and community colleges.

For the second five years, it includes \$6.1 billion for the three segments.

In addition, the proposal includes \$400 million for UC's telemedicine program. This funding will be used to provide facilities and state-of-the-art equipment needed to expand UC's medical education programs, so that more physicians are trained and better qualified to meet health care needs in underserved areas, including rural and inner-city areas.

Bond expenditures proposed for the budget year for each segment are as follows:

- \$315.4 million from the proposed bonds for the construction and renovation of 29 buildings on UC campuses. These buildings are needed for critical infrastructure deficiencies and to meet enrollment and facility renewal needs at UC campuses.
- \$234 million from the proposed bonds for the construction and renovation of 15 buildings on CSU campuses. These buildings are needed for critical infrastructure deficiencies and to meet enrollment and facility renewal needs at CSU campuses.
- \$491.7 million from the proposed bonds for the construction and renovation of 58 buildings in 38 community college districts. In addition, 30 districts have committed to use \$261 million in locally approved Proposition 39 funds to support their projects.

CALIFORNIA'S WATER FUTURE

California's history has been shaped by water. The early history of the Golden State is a history of floods and droughts. Although ample precipitation arrives in the state from the Pacific, its distribution is uneven. Two-thirds of all precipitation occurs in Northern California, while two-thirds of the state's population lives in Southern California. As a result, the history of the state has been marked by major efforts to withstand droughts and floods, and address the imbalance between locations where water is plentiful and the places where people live and work.

The twentieth century saw great advances in Californians' ability to manage water during times of abundance and shortage. Flood control systems were put into place to protect farmland in the Central Valley and the Delta. Water projects brought a dependable supply to farms and growing cities. The first projects were local or regional. Later, the Central Valley Project brought additional supplies to the San Joaquin Valley and other areas. Finally, in 1960, the California State Water Project (SWP) was authorized by passage of the 1960 California Water Resources Development Bond Act, which provided \$1.75 billion for construction costs. The SWP provides drinking water for 23 million Californians, high quality water essential for manufacturing facilities such as those in Silicon Valley, and irrigation for 750,000 acres of prime agricultural land.

The flood control projects and water projects of the last century were developed by visionary Californians who were willing to carry out the projects that others dismissed as impossible. These projects were built because early Californians recognized the need to invest in infrastructure that would protect our farms and cities and support our economy. However, at the time the SWP was authorized, California's population was 15.7 million – less than half its current 37 million. It is now time to build upon the achievements of previous generations of Californians. Today we must invest in flood management, water supply reliability, water quality protection, and ecosystem restoration in order to ensure that California continues to enjoy clean reliable water supplies and a healthy economy in the 21st Century.

The Governor's Strategic Growth Plan will invest \$35 billion to maintain and improve our levee and flood control system and provide for safe, reliable water supplies, including \$6 billion over the next 10 years to strengthen California's levee and flood management system. Of the total amount, \$21 billion is expected from existing funding sources (federal and local), \$9 billion from general obligation bonds, and a new revenue source, the Water Resources Investment Fund, which will generate approximately \$5 billion over 10 years.

The numbers above reflect anticipated revenues based on historical patterns and currently projected funding availability. The majority of the bond funds will go out in the form of matching grants or the state share of federal cost-share projects.

Summary of “Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts” of 2006, 2010

(Dollars in thousands)

Program, Project, or Bond Provision	Total Investment	2006 Bond Amt.	2010 Bond Amt.	Federal Funds ¹	Other State Funds ²	Local Funds
Levee System and Flood Protection	\$6,000,000	\$1,000,000	\$1,500,000	\$3,000,000	\$ -	\$500,000
Project Levee and Facilities Repair		\$210,000	\$300,000			
Flood Control and Levee System Improvements		\$200,000	\$200,000			
Delta levee Subventions and Special Projects		\$210,000	\$700,000			
Flood Control Subventions		\$250,000	\$200,000			
Floodplain Mapping		\$90,000	\$ -			
Floodway Corridor Program		\$40,000	\$100,000			
Integrated Regional Water Management	\$29,000,000	\$2,000,000	\$4,500,000	\$2,000,000	\$5,000,000	\$15,500,000
Regional Water Management Grants (e.g. water conservation, water recycling, desalination, conjunctive management, watershed management, pollution prevention, etc.)		\$1,000,000	\$2,000,000			
Statewide Water Management						
Water Quality Improvements		\$250,000	\$500,000			
State Support for Development of New Storage		\$250,000	\$1,000,000			
Science and Technology (including desalination technology)		\$300,000	\$500,000			
Resource Stewardship		\$200,000	\$500,000			
TOTAL	\$35,000,000	\$3,000,000	\$6,000,000	\$5,000,000	\$5,000,000	\$16,000,000

Footnotes:

- (1) The federal share of projects reflects historic cost share arrangements. However, precise cost-shares vary by type of project.
- (2) Establishment of a Water Resources Investment Fund for additional sustained water management efforts. Resources to this fund will include non-General Fund-based revenue sources and will be used for projects of regional and statewide benefit (approximately \$5 billion).

Federal Funds: The federal government pays 50-70 percent of the cost of federally approved flood control projects and about 8 percent on average of water supply projects. DWR estimates that \$5 billion will be available in federal support for flood control and water supply projects during the 10-year period.

Local Funds: Water supply projects are largely paid for by local public water agencies, through the rates they charge users. DWR estimates that these investments will total \$16 billion.

Other State Funds: The California Water Resources Investment Fund will be from a new fee collected from each retail water purveyor. Two-thirds of the funds collected will be returned to locals to fund integrated regional water projects, and one-third will be retained by the state for statewide water resource management programs including surface storage.

The Administration intends to pursue a package of reforms that include the following:

- The enactment of AB 1665, a measure to reform flood management and the financing of flood control improvements.
- Enactment of ACA 13 to allow flood management projects to proceed as other necessities such as water and sewer service.

PUBLIC SAFETY

State and Local Detention Facility Construction

The Governor is proposing a groundbreaking partnership between the state and local agencies to help manage inmate population at all levels of government. This proposal will result in an increase in the number of available local jail beds that will alleviate overcrowding in both state and local facilities, enhance the safety for correctional staff and inmates, and enhance the safety of the local communities by keeping offenders locked up for the appropriate time as prescribed by the court. The \$6 billion proposal is the initial five-year plan to address state and local detention facility needs. In the second five years, the Governor proposes another \$6 billion for local jail construction (\$2 billion GO bonds); along with \$1.1 billion additional GO bonds to build new prisons or juvenile detention facilities at CDCR.

This program will consist of the following components:

- \$2 billion of state GO bonds to provide jail construction grants to local agencies.
- \$2 billion in matching funds from local governments, required by the grant program.
- \$2 billion from local bonds secured by the portion of revenues received by local agencies from the state as payment to use jail beds in these new facilities.

Other Public Safety Needs

The Strategic Growth Plan includes \$600 million in GO bonds to fund critical public safety projects, including replacement or relocation of old and deteriorated emergency response facilities for the Department of Forestry and Fire protection, such as forest fire stations, air attack bases, and conservation camps. In addition, the multiyear funding proposal includes funding for the Department of Justice to provide for the permanent replacement of the current DNA lab. All these programs support the essential efforts of the state's public safety employees.

Courts and Other Public Service Infrastructure

A significant number of the court facilities do not meet current security standards, working conditions or accessibility standards. To ensure the continued provision of justice and provide for staff and public safety, there will be a need for considerable improvement of these facilities. The Governor proposes GO bonds totaling \$1.8 billion over a ten-year period:

- \$800 million for fiscal years 2006-07 through 2010-11
- \$1 billion for years 2011-12 through 2015-16.

In addition, the Strategic Growth Plan proposes \$400 million in GO bonds over the next five years to address the state's most critical needs for the infrastructure of other public services, including seismically retrofitting high-risk state buildings and addressing health and safety issues at state parks facilities.

Attachment 1

**Existing and New Funding Sources to Support
Strategic Growth Plan**

**STRATEGIC GROWTH PLAN
OTHER EXISTING FUNDING SOURCES
AND
NEW FUNDING SOURCES**

Transportation/Air Quality

- **Other Existing Funding Sources**
 - \$26.4 billion – State and Federal Fuel Excise Tax and Weight Fees: Constitutional revenue-very stable. This represents \$20 billion over the decade (an average of \$2 billion annually, consistent with recent expenditures), plus capital outlay support (estimated at 32% of capital outlay) reserved for project support in the operating budget.
 - \$1 billion – Tribal Bond: Current law, may be further delayed by litigation. If we cannot do bonds, we still get \$100 million per year for the next 18 years from the existing compacts.
 - \$0.5 billion – Caltrans Efficiencies: \$50 million state operations savings already built into Caltrans' capital outlay budget. Of the \$0.5 billion, \$125 million is committed to the Bay Bridge.
 - \$8.6 billion – Proposition 42: SGP will include Proposition 42 firewall, so future transfers are certain to occur. This represents \$2.5 billion for Proposition 42 loan repayment (including interest and on the schedule reflected in current law) plus \$15.5 billion over the decade (average annual revenue of \$1.55 billion) less the following commitments which fully fund all Constitutional and statutory obligations and represent no changes to the Proposition 42 formula: \$2.8 billion for TCRP projects, \$5.1 billion for local streets and roads, and \$1.5 billion for State Transit Assistance.
 - \$10 billion – Federal Reauthorization: This additional resource level reflects the recent reauthorization bill.
- **New Funding Sources**
 - \$9 billion - Extended/New Local Transportation Sales Tax Measures: Caltrans estimate of amounts from recently reauthorized and planned new measures likely to be contributed to projects in the plan. No proposal to change vote requirements.
 - \$0.9 billion - Design-Build/Design Sequencing: Authority to be provided in joined legislation. \$90 million annual savings is reasonable.
 - \$2 billion - Public/Private Partnerships (HOT Lanes, Toll Lanes). May include projects with both public and private investment.
 - \$14 billion - Public/Private Partnerships (Trade/Goods Movement): State bond money to be required to be matched 1:1 for port mitigation and 4:1 for goods movement.
 - \$5 billion - Additional Federal Funds: Additional earmarks for national trade corridors will be sought. Bond money and private money will leverage.

- \$3.1 billion - GARVEE Bonds: Can legally bond against federal funds. Would likely be done in later years of the 10-year plan as construction spending ramps up.
- \$14 billion - Gas Tax and Weight Fee Revenue Bond: Can legally bond Art XIX revenue per Sec 5. Limited to 25 percent per Constitution. This equates to about \$969 million in 2015, the first year that a portion of the Art XIX revenues would be securitized. Assuming a 5 percent interest rate over 30 years, this securitized amount will generate about \$14 billion. After securitizing the \$969 million in 2015, \$2.9 billion of Art XIX revenues will continue to be available for transportation projects.

K-12

- **First Five Years-Other Existing Funding Sources**
 - \$4.1 billion existing GO bonds estimated to be available.
 - \$6.4 local match from school districts for the remaining bonds.
- **Second Five Years-Other Existing Funding Sources**
 - \$11.4 local match from school districts for new bonds.

Flood Control and Water Supply

- **Other Existing Funding Sources**

- \$5 billion in Federal funds – The federal government pays 50-70 percent of the cost of federally approved flood control projects and about 8 percent on average of water supply projects. DWR estimates that \$5 billion will be available in federal support for flood control and water supply projects during the 10-year period.
- \$16 billion in Local investments – Water supply projects are largely paid for by local public water agencies, through the rates they charge users. DWR estimates that these investments will total \$16 billion.

- **New Funding Sources**

- Up to \$5 billion is anticipated to be provided by the California Water Resources Investment Fund from a new fee collected from each retail water purveyor. Two-thirds of the funds collected will be returned to locals to fund integrated regional water projects, and one-third will be retained by the state for statewide water resource management programs including surface storage.

Public Safety

- **First Five Years-Other Existing Funding Sources**
 - \$2 billion will be provided by various counties to match grant awards received from the state for jail construction.
 - \$2 billion will be paid by the state over a 25 to 30 year period for the utilization of jail beds. The funds will come from the California Department of Corrections and Rehabilitation (CDCR) budget for population and contract jail beds.
 - \$1.1 billion from existing funding sources represents \$815 million from GF, \$140 million from special funds and \$183 million from federal funds. This level of funding is what is projected in state departments' five year infrastructure plans and is consistent with historical contributions of these funding sources.
- **Second Five Years-Other Existing Funding Sources**
 - \$2 billion will be provided by various counties to match grant awards received from the state for jail construction.
 - \$2 billion will be paid by the state over a 25 to 30 year period for the utilization of jail beds. The funds will come from the CDCR budget for population and contract jail beds.
 - \$1.1 billion from existing funding sources is estimated to be similar with the first five years, consistent with historical contributions of these funding sources.

Courts and Other Critical Infrastructure

- **First Five Years-Other Existing Funding Sources**
 - \$0.7 billion represents \$185 million from the GF, \$445 million from special funds and \$38 million from federal funds. This level of funding is what is projected in state departments' five year infrastructure plans and is consistent with historical contributions of these funding sources